

10 years
a look back
a look ahead

Crown Corporations Council
A Manitoba Crown Corporation
1999 Annual Report

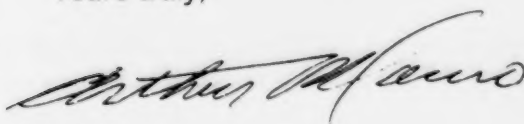
letter of transmittal

The Honourable Greg Selinger
Minister responsible for
Crown Corporations Council
Province of Manitoba
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report
of the Crown Corporations Council for the year ended
December 31, 1999.

Yours truly,

A handwritten signature in black ink, appearing to read "Arthur V. Mauro". The signature is fluid and cursive, with the first name "Arthur" being more prominent.

Arthur V. Mauro
Chairman

April 19, 2000

The Crown Corporations Council's responsibilities are defined under The Crown Corporations Public Review and Accountability Act.

mission

To determine that the Crown corporations have clear mandates, performance measures and strategic plans.

mandate

Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.

Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.

Review long term corporate plans and capital expenditure proposals; ensure consistent practices among two or more corporations where appropriate.

Provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council.

Receive and hear submissions from any person who, in the opinion of the Council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the Council.

a message from the Chairman

This past year marked an important milestone for Crown Corporations Council. It was ten years ago in 1989 that the Council was created and defined its mission:

"To provide constructive appraisal of governance, mandates and strategies for Crown Corporations that will contribute to optimum long term value for Manitobans while minimizing business risk and financial exposure."


I believe that the record of the Council over the intervening years as summarized in this report bears testimony to past achievements. The challenge which the Board has accepted for the future is to identify policies and methods that will continue to add value to the services offered.

As I have commented in the past, I continue to be impressed with the dedication of the Boards and officers of the various Crown Corporations. As reflected in the financial results provided in this report, the people of Manitoba are well served by their Crown Corporations. It is particularly gratifying to note that the Crown Corporations met the Y2K challenge insuring full compliance of the information systems.

During the past year, Garry Hoffman was appointed President and Chief Executive Officer. Mr. Hoffman's background in the private sector and recent government policy assignments will assist Council in achieving our strategic goals.

On behalf of the Board, I extend our sincere gratitude to members Barrie Brooks, Carol Hendrickson and Patricia Ritchie who retired during the past year. They have made a valuable contribution to the work of the Council.

I extend my personal thanks and that of members of the Board to the officers and staff whose efforts are essential in the work of the Council.


Arthur V. Mauro,
Chairman

the council

The members of Crown Corporations Council form the governing body of Council.

The composition of the Council consists of seven members appointed by Lieutenant Governor in Council. Members are chosen to serve based on statutory requirements outlined in The Crown Corporations Public Review and Accountability Act.

One member is the Dean of the Faculty of Management of the University of Manitoba or designate from that Faculty. One member is a person nominated by the Institute of Chartered Accountants of Manitoba. One member is a person who, in the opinion of the Lieutenant Governor in Council, represents organizations of consumers in Manitoba.

At least three members are persons who, in the opinion of the Lieutenant Governor in Council, have demonstrated management or technical expertise.

Sub-committees of the Council include an Audit Committee and Compensation Committee. The Planning Committee is a committee of the whole.

The Council, through the Chairman, is accountable to the Minister responsible, who serves as the link between Council, Cabinet and the Legislature.

members of the council

Arthur V. Mauro, O.C., Q.C. Counsel Aikins, MacAulay & Thorvaldson	Chairman since 1997
Carol A. Hendrickson Life Underwriter	Vice-Chair since 1989 <i>Resigned July 1999</i>
Barrie D. Brooks Vice-President & GM Borland Construction (1989) Limited	Member since 1989 <i>Resigned January 2000</i>
Candace L. Bishoff Senior Associate Counsel Manitoba Telecom Services Inc.	Appointed March 1999
Harry Fehr President Quarry Oaks Golf and Country Club	Appointed March 1999
Dr. Jerry Gray Dean, Faculty of Management University of Manitoba	Member since 1997
Bidhu Jha President & CEO Optimum Trading Corporation Ltd.	Appointed January 2000
Mel A. MacRae, CA Executive Vice-President & COO Rice Financial Group Inc.	Member since 1995
Patricia G. Ritchie, Q.C. Barrister	Member since 1994 <i>Resigned Sept 1999</i>
Garry M. Hoffman President and Chief Executive Officer	Ex-Officio Member

a look back

1999 marked the 10th year since Council's inception. The enabling legislation, The Crown Corporations Public Review and Accountability Act, received Royal assent in December 1988 and Council was incorporated June 5, 1989.

The Act intended to enhance accountability through establishing governing provisions for Corporations subject to the Act. An accountability framework was set out that encompasses the Crowns' Boards of Directors, the Ministers responsible, the Manitoba Legislature and the Public Utilities Board.

The Act established a number of provisions in such areas as duties and powers of Boards of Directors, required sub-committees of Boards, annual and quarterly financial reporting, periodic reviews of strategic plans, corporate performance and public accountability. Rates for services provided by Manitoba Hydro and Manitoba Public Insurance are required to be reviewed and approved by the Public Utilities Board.

Crowns such as Manitoba Hydro, Manitoba Public Insurance and the Manitoba Liquor Control Commission are required to hold public accountability meetings at least once a year in Winnipeg, northern Manitoba and one other centre. These meetings provide the public with an opportunity to gain a better understanding of each corporation's objectives, programs and services, and to discuss issues with senior management.

The portfolio of Crowns subject to the Act has changed considerably over the years. A number of Crowns were divested throughout the period, the most notable being the Manitoba Telephone System in 1997. The Manitoba Lotteries Corporation became subject to the Act in 1991.

The Manitoba Agricultural Credit Corporation and Manitoba Crop Insurance Corporation came under Council's purview in 1997.

Council's role within the accountability framework has been one of facilitating, reviewing, monitoring and providing Government, through Council's Minister responsible, advice on any matter affecting the Crowns that may be requested.

Council's mandate has not changed during the ten years, though our focus throughout the period has shifted in accordance with Crowns' ongoing responses to changing environments, importance of topical issues and factors influencing mandates and purpose.

Activities have included, on an ongoing basis, reviewing each Crown's mandate and statement of purpose, corporate governance frameworks and practices, strategic plans, annual capital expenditure plans and corporate performance measurement.

In 1993, Council incorporated into its activities an assessment of the business risks facing each Crown. Overall, risk is classified as Low, Medium or High with corresponding risk trends of Positive, Stable or Negative based on positive and negative factors identified. This assessment assisted in identifying and monitoring the risks and opportunities that may affect a Crown's ability to achieve its objectives and sustain its success.

Since adoption, the risk assessments have changed in accordance with increased or decreased risks arising from changing business environments and Crowns' responses to managing the risks by adopting appropriate strategies and plans.

The overall financial position of the Crowns that remain, or have been added since inception has strengthened over the period. Total assets have grown from \$5.0 billion in 1989 to over \$9.0 billion in 1999.

Crown Corporations (\$ millions)	Assets	
	1999	1989
Manitoba Hydro	\$7,865.9	\$4,385.7
Manitoba Public Insurance	1,187.5	626.4
Manitoba Liquor Control Commission	26.9	16.0
Communities Economic Development Fund	22.7	7.8
Venture Manitoba Tours Ltd.	4.8	2.8
		1991
Manitoba Lotteries Corporation	127.0	17.9
		1997
Manitoba Agricultural Credit Corporation	248.0	201.2
Manitoba Crop Insurance Corporation	200.5	79.8
Total	\$9,683.3	\$5,337.6

Manitoba Hydro, Manitoba Lotteries Corporation and Venture Manitoba Tours Ltd. have demonstrated the most notable growth in net income over the last ten years.

Crown Corporations (\$ millions)	Net Income/(Loss)	
	1999	1989
Manitoba Hydro	\$100.1	\$(26.4)
Manitoba Public Insurance	38.3	30.4
Manitoba Liquor Control Commission	151.7	150.2
Communities Economic Development Fund ¹	(2.0)	(1.4)
Venture Manitoba Tours Ltd.	0.2	(0.1)
		1991
Manitoba Lotteries Corporation	225.0	61.2
		1997
Manitoba Agricultural Credit Corporation ¹	(7.4)	(6.1)
Manitoba Crop Insurance Corporation	67.1	54.9
Total	\$573.0	\$262.7

¹requires annual operating subsidies or grant from the Manitoba Government

Council also examines, as part of its mandate, submissions or complaints from individuals regarding alleged failure by a Crown to comply with any applicable legislation or policy. Over the ten year period three such complaints have been received directly by Council and investigated.

a look ahead

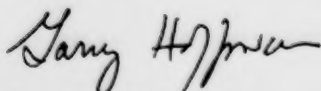
A message from the President and CEO *It is appropriate that a look back be a central theme of this Annual Report. In general, the Crowns are generating stable financial returns that must be acknowledged as a reflection of the planned results that the Boards and management of those Crown corporations have been pursuing for a number of years.*

The challenge that faces Council is the ability to continue to add value to the processes that are in place at the Crown corporations. An immediate area that Council can influence and support is governance training and orientation for the Chairs and Directors of the Crown corporations. Emphasis on roles, responsibilities and understanding challenges that face Crown corporation boards in today's environment is critical to sustaining Crown sector successes.

Council is taking a broader look at the Crowns and thinking more of them as a sector investment for the Province. This focus allows consideration of goals that are applicable to one or more Crowns, required financial results, appropriate mandates and actions, relevancy, trends in society, government policy and intended results, all within a framework of cost and productivity.

Council's key issue remains the appropriateness of each Crown's mandate and strategy. Mandate changes are expressed either by Government policy statements or new legislative authorities. The Crowns' ongoing responses to changes in markets, customer requirements or external opportunities may modify the strategy. These factors require that Council monitor and review the mandate and strategy of the Crown corporations.

A high Council priority is the continued development and reporting of performance indicators by the Crowns. This area will present a major challenge for all participants over the next several years.



Garry M. Hoffman
President and Chief Executive Officer

In 1999, the Council approved a strategic plan for the next five years. The strategic objectives that reflect our mandate, outlined in The Crown Corporations Public Review and Accountability Act will guide our activities over this period.

Objectives

To determine that each Crown has a clearly defined mandate and a clear statement of purpose.

To determine that each corporation measures performance.

To review corporate plans of Crowns.

To review capital expenditure proposals and related government supported borrowing authority required by corporations.

To ensure consistent practices among corporations where appropriate.

To receive and act on submissions regarding alleged failures of corporations to comply with legislation or any policy of Council.

Council will continue to conduct work in the key areas related to its mandate and emphasize furthering progress by the Crowns to develop key, relevant performance indicators. Key indicators should be developed to demonstrate achievement of public policy and commercial mandates, customer satisfaction, shareholder value and other key areas relevant to the corresponding business.

major activities in 1999

Crown Corporation Presentations

Individual Crown corporations appear before Council periodically. This provides an opportunity for senior officials of the Corporation to review corporate objectives, strategies, opportunities and issues facing their business. During the year, Council met twice with Manitoba Hydro and once with Manitoba Public Insurance.

Manitoba Hydro officials reviewed the strategic rationale for the acquisition of Centra Gas Manitoba Inc. and their plans to integrate the two businesses. At a second meeting, Hydro officials presented an overview of the corporate goals, objectives, initiatives, performance and the recommendations of the Public Utilities Board that resulted from its review of Hydro's acquisition of Centra Gas.

Manitoba Public Insurance officials presented an overview of key corporate initiatives and discussed corporate performance contributing to its strong financial position.

Mandate and Strategy Reviews

Mandate and Strategy Reviews of Crowns are conducted to assess various aspects of the corporation. The areas considered during a particular review will vary from corporation to corporation and from time to time, but typically include key areas such as mandate and statement of purpose, long term corporate plans and strategies, corporate performance and assessment of business risks. The following highlights either work completed in 1999 or that where fieldwork had been completed. While no Mandate and Strategy Reviews were conducted at Manitoba Lotteries Corporation, Venture Manitoba Tours Ltd. or Manitoba Crop Insurance Corporation, Council monitored their plans and performance.

Manitoba Hydro

The Manitoba Hydro-Electric Board was formed in 1949 by the Manitoba Government to carry out a coordinated policy for developing and distributing electricity under the Manitoba Hydro-Electric Development Act. In 1961, the Manitoba Government merged two Provincial utilities, The Manitoba Power Commission and the Manitoba Hydro-Electric Board, through the establishment of the Manitoba Hydro Act.

This decision was based on public policy that the future power requirements of Manitoba would be best served by a single utility for developing and supplying electrical energy. This primary purpose continues today, forming the foundation of Hydro's mandate and public policy purpose.

With the acquisition of Centra Gas in July 1999, Hydro's primary purpose has expanded. Centra is one of the main suppliers of natural gas and is the exclusive distributor in the Province. This change is subtle, but fundamental to the evolution of Hydro to an energy company. The transition is underway, with Centra currently continuing to operate as a wholly owned subsidiary. Various degrees of integration will occur over a period of up to 24 months as issues are identified and resolved and recommendations are approved and implemented.

Hydro pursues achievement of its mandate with appropriate corporate goals and strategies. The goals and strategies reflect the continuing focus to build a strong corporate future for Manitobans that is well positioned to meet the challenges presented by a changing energy industry.

Hydro's corporate plans and strategies are well developed and formulated with assessment and consideration of key environmental and organizational factors identified as influencing and affecting its ability to achieve its mandate, business opportunities and operations. Hydro activities are consistent with its mandate, ensuring that the domestic market has low cost, reliable power supply and service.

Hydro's export sales are a very important segment of its business. The revenue earned from the sale of surplus power results in substantive benefits to domestic customers in the form of lower domestic rates. The Corporation has developed a comprehensive strategic update to its export marketing plan. The update expands on the ongoing strategy and addresses new market developments, further positioning the Corporation to take advantage of emerging market opportunities. Longer term opportunities are anticipated to emerge in Hydro's primary U.S. markets.

The export strategy includes aggressively pursuing project planning, public consultation, review and regulatory activities of economic new generating facilities. The strategy protects resource options and provides flexibility to respond to additional export opportunities. The export marketing strategy supports and is consistent with the Corporation's overall goals and strategies. Hydro is taking appropriate steps to manage and mitigate the associated risks.

Subsequent to our review, Hydro's Board approved proceeding with construction of a new natural gas-fired generation plant at Brandon. This project was approved by the Manitoba Government.

Hydro has further enhanced corporate performance measurement and reporting. Performance measures, with related targets, are an integral part of their strategic plans and reflect the concepts and principles of a Balanced Scorecard approach. Hydro also continues to conduct external comparisons of its performance within the Canadian Electric Utility industry.

The business risk facing Manitoba Hydro remains the same as the previous year, Medium with a Positive risk trend. This assessment will be updated in the coming year as the second phase of our review is completed.

Manitoba Public Insurance

Manitobans are dependent on the Corporation, as a monopoly, for the provision of compulsory automobile insurance, Basic Autopac. MPI's Autopac Extension and Special Risk Extension products compete in the marketplace with private insurers.

Manitoba Public Insurance has a clear legislative and policy mandate and a clearly defined scope of business. Appropriate strategies are in place to mitigate business risk, improve customer service and manage its investment portfolio.

Customer surveys conducted for MPI indicate that the Corporation is operating in a satisfactory manner and that it is generally well regarded by the public. MPI uses these surveys to improve operations and enhance customer service.

MPI continues to move toward statistically sound ratemaking through the adoption of insurance rate groups based on CLEAR (Canadian Loss Experience Automobile Rating).

Loss prevention initiatives continue through RoadWise programming, the High School Driver Education program and anti-crime activities set out in its Fraud Deterrence Plan.

Quarterly reporting to the Board of Directors on strategic performance has been expanded. The reporting format and information is relevant. Opportunity exists to refine the current information into five to eight key strategic outcome measures.

The automobile insurance industry is susceptible to volatility in claims patterns and costs. MPI is vulnerable to periods of higher claims associated with unfavourable weather events and patterns of theft in Basic Autopac.

To address this risk MPI has an approved Basic Insurance Rate Stabilization Reserve (RSR). The Board of Directors has approved a target range of \$80 to \$100 million for the level of the reserve.

A significant risk to MPI's financial position is the ability to absorb significant claims losses when the RSR is significantly below target, without affecting the Corporation's goal of stable premiums. At the time of our review, the actual amount of the RSR exceeded the upper end of the target range.

The business risk facing Manitoba Public Insurance was viewed as Low, with a Positive risk trend, an improvement in risk from the previous year.

This improvement reflects the combination of effective corporate risk management practices, strong financial position and sound financial management practices, and consistent achievement of intended strategic and operational outcomes.

Manitoba Liquor Control Commission

The Manitoba Liquor Control Commission's existing commercial and regulatory mandate, as set out in enabling legislation, is comprehensive and clear. Corporate objectives and strategies are aligned with the current interpretation, balancing business objectives with public education, social responsibility and ensuring compliance.

The Commission's mandate, legislation and regulations on broad alcohol policy has not undergone a major review since 1981. Any major change will require balancing a competing set of complex stakeholder interests. The organization form to administer liquor control should be an integral part of any review of legislation and alcohol public policy. This would assist in determining whether the trend toward a division of authority between licensing and regulation of alcohol and commercial operations, that has evolved in other jurisdictions, would be in the public interest.

Subsequent to the completion of our review, the Manitoba Government announced plans to conduct a review of the Act and regulations. The process will include public consultation.

Customer surveys have demonstrated a high level of customer service satisfaction with the Commission. Updates to surveys are planned for January 2000. Merchandising initiatives are responsive to lifestyle changes, customer expectations and support supplier strategies.

MLCC's retail store base continues to undergo modernization including expansion and format changes. Since our last review, a new store in the Winnipeg Tuxedo area opened and the Grant Park store was expanded to include training and cooking facilities. At the time of our review, the performance of the bulk wine store, Bottle "N" Cork, opened last year, was somewhat below projections after cannibalization effects were considered.

In absolute dollars, net profit paid to the Province has steadily increased in recent years. Profit growth is predominately influenced by pass through of supplier price increases. Maintaining a net profit return to the Province of 40% of sales presents a challenge.

Sales volume growth has been relatively modest. Consumption trends in Manitoba show higher margin spirit volumes declining with growth in wine sales occurring. The Commission's ability to capture profitability from wine growth has been affected by the Specialty Wine Store program. Management estimates the effect of this program to be an annual reduction in net profit of \$1.8 million.

The Commission continues its efforts to adopt and implement improved performance reporting. The focus is to develop and report on key performance indicators and implement the Balanced Scorecard approach.

There have been no significant developments since our last review that would warrant a change in the business risk assessment from Low with a Stable risk trend.

Communities Economic Development Fund

The Development Fund has a clear legislative and policy mandate. Appropriate strategies are in place to identify and mitigate risk in its lending portfolios. The Development Fund employs standard commercial lending procedures, risk mitigation processes and continues to take steps to strengthen the processes for granting and monitoring credit.

The Development Fund is effectively a lender of last resort, and for fishers in remote regions, the only lender. As such, the Fund's portfolios are riskier than those of other lenders. The Business Loans portfolio is vulnerable to downturns in resource sector business cycles. The Fisheries Loan portfolio finances the harvest of a mobile natural resource that is vulnerable to adverse changes in environmental conditions. However, the number of lakes harvested and the varying seasons for harvest on these lakes mitigates the risk. The Fisheries Loan portfolio is vulnerable, in part, to localized voluntary or regulated closure of a fishery. In addition, exposure may increase as a result of mismanagement of a local fishery.

The Development Fund requires Government support for its operations. Recent annual subsidies, including fiscal 1998/99, have ranged between \$1.4 million and \$2.0 million.

The Fund is continuing to develop a performance reporting model that identifies the beneficial economic and other impacts of its activities. Indicators and results reviewed reasonably reflect Fund performance and are generally valid indicators of effectiveness in fulfilling its mandate.

The business risk facing the Development Fund was viewed as Medium, with a Positive risk trend, an improvement in risk trend from the previous year.

This improvement reflects the combination of adequate provisioning for loan impairment in the Fisheries Loan portfolio and a second consecutive year of improved fish harvests.

Manitoba Agricultural Credit Corporation

The Corporation has a clear legislative and policy mandate. Appropriate strategies are in place to identify and mitigate risk in its lending activities. The Corporation follows standard commercial credit review, risk mitigation processes and continues to take steps to strengthen the processes for granting and monitoring credit.

MACC is an agricultural niche lender and guarantor, with a targeted higher risk clientele that generally has low equity. As such, MACC's portfolio is riskier than other lenders. The agricultural economy is vulnerable to international trade practices and volatility in commodities prices. Significant price decreases can affect debt repayment ability of producers.

Repayment of MACC's loans is often from the proceeds of primary agricultural products that are vulnerable to adverse changes in environmental conditions. However, the widespread and diversified nature of on-farm production across the Province mitigates the risk.

MACC requires Government support for its operations. Recent annual Grants from the Province of Manitoba, including fiscal 1998/99, have ranged between \$3.1 million and \$5.7 million.

The Corporation continues its efforts to adopt and implement improved performance reporting. The focus is to report on strategic outcomes and results that reflect the achievement of both public policy imperatives and commercial objectives.

The intent is to expand reporting on lending volumes, dollars and arrears to include additional business plan performance indicators.

Our business condition assessment of MACC's operating environment continues to be one of concern. That concern reflects the Corporation's portfolio exposures to the significant challenges faced by Manitoba agri-business. These challenges arise from low global commodity prices and 1999's weather related disasters that have impaired normal land use by producers. In the near term, the economic outlook for commodity prices is not encouraging.

The business risk facing the Corporation was viewed as Medium, with a Negative risk trend, unchanged from the previous year.

Review of Crown Corporations 1999/2000 Capital Expenditure Programs

Council reviews annually the capital expenditure programs of each of the Crown corporations under its purview. The scope of the review considers each program within the context of the Corporations' mandate, strategic plans, financial condition and budgeting processes. In total, the Corporations budgeted expenditures totaled \$377 million for the 1999/2000 fiscal year.

Overall, the capital programs reviewed were consistent with the Corporations' mandates, strategies and represented expenditures deemed necessary to maintain and meet their specific requirements.

Year 2000

During the year, Council reviewed the progress of the Crown corporations' Year 2000 initiatives and preparedness. The changeover for the corporations functioned smoothly due to advanced planning, remediation and readiness.

Submissions from Individuals

There were no complaints directly received by Council in 1999. The Provincial Auditor received a complaint against a Crown under Council's purview. Council worked with the Provincial Auditor's office in its investigation.

crown corporations council financial statements

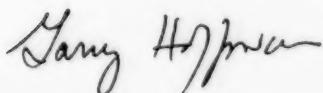
Responsibility For Financial Statements

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in conformity with accounting principles generally accepted in Canada, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.



Garry M. Hoffman
President and Chief Executive Officer

auditors report

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 1999 and the statement of income and reserve reflecting net investment in fixed assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Winnipeg, Canada
February 24, 2000

Ernst & Young LLP

Chartered Accountants

**Crown Corporations Council
Balance Sheet**

December 31
1999 1998
(thousands of dollars)

ASSETS

Current:

Cash	\$ 312	\$ 263
Accounts receivable	13	3
	<hr/> 325	<hr/> 266

Fixed assets (note 4)	35	53
	<hr/> \$ 360	<hr/> \$ 319

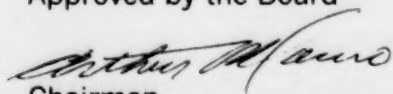
**LIABILITIES AND RESERVE REFLECTING
NET INVESTMENT IN FIXED ASSETS**

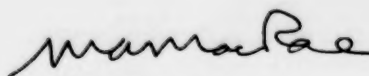
Current:

Accounts payable and accrued liabilities	\$ 44	\$ 157
Levies received in advance	148	53
Due to Manitoba Crown corporations (note 3)	133	56
	<hr/> 325	<hr/> 266

Reserve reflecting net investment in fixed assets	35	53
	<hr/> \$ 360	<hr/> \$ 319

Approved by the Board


Chairman
(See accompanying notes)


Director

Crown Corporations Council
Statement of Income and Reserve
Reflecting Net Investment in Fixed Assets

Year Ended December 31
1999 1998
(thousands of dollars)

INCOME

Recoveries from corporations through levies	\$ 650	\$ 706
Interest	9	12
	<u>659</u>	<u>718</u>

EXPENSES

Salaries and benefits	472	449
Board remuneration and expenses	73	66
Rent	56	60
Depreciation	18	5
Office supplies and printing	16	18
Professional fees	11	10
Telephone and courier	8	8
Travel	7	11
Automobile expense	6	15
Equipment rental and maintenance	5	4
Professional development	4	6
Insurance	1	1
Industry conferences	0	18
	<u>677</u>	<u>671</u>

Excess of (expenses over income) income over expenses	\$ (18)	\$ 47
-------------------------------------------------------	---------	-------

Reserve reflecting net investment in fixed assets, beginning of year	53	6
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Reserve reflecting net investment in fixed assets, end of year	<u>\$ 35</u>	<u>\$ 53</u>
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(See accompanying notes)

**Crown Corporations Council
Notes to Financial Statements
December 31, 1999**

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under The Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview. Council provides advice to the Manitoba Government on those plans, proposals and practices or any other matter of policy affecting Crown corporations that may be requested.

2. Significant accounting policies

a) Recoveries of expenses from Crown corporations through levies

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

b) Reserve reflecting the net investment in fixed assets

The purchase of fixed assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's fixed assets.

c) Fixed assets

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances provided to certain qualifying employees are expensed in the year in which the employee retires.

3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

Crown Corporations Council
Notes to Financial Statements
December 31, 1999

4. Fixed assets

These are comprised entirely of office furniture and equipment and computer equipment:

	December 31	
	1999	1998
	(in thousands of dollars)	
Cost		
Office furniture and equipment	\$58	\$58
Computer equipment	<u>81</u>	<u>81</u>
	<u>\$139</u>	<u>\$139</u>
Accumulated depreciation		
Office furniture and equipment	58	57
Computer equipment	<u>46</u>	<u>29</u>
	<u>104</u>	<u>86</u>
Net book value	<u>\$ 35</u>	<u>\$ 53</u>

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2000 to annual basic rental payments of approximately \$30,000 and annual common area and operating costs of approximately \$26,000.

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

